NSP

NORTHERN STATES POWER COMPANY
414 NICOLLET MALL
MINNEAPOLIS, MINNESOTA 55401

OFFICE OF SECRETARY

Regulatory Docket File

March 13, 1975

U. S. Atomic Energy Commission
Division of Reactor Licensing
Washington, D. C. 20545

Re: Docket Nos. 50-263, 50-282,
50-306

Gentlemen:

Pursuant to Paragraph 50.71(b) of 10 CFR Part 50, we are enclosing ten (10) copies of our 1974 Annual Financial Report, including the certified financial statements.

Very truly yours,

ARLAND D. BRUSVEN

Enclosures

OL

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1974 ANNUAL REPORT

NORTHERN STATES POWER COMPANY

3-13-75

NSP

HOW 1974 COMPARED WITH 1973

	1974	1973	Increase Amount	Increase Per Cent
	(millions of dollars)			
Operating revenues				
Electric	$456.3	$388.4	$67.9	17.5%
Gas	83.6	75.1	8.5	11.3
Telephone and heating	4.9	4.4	.5	11.9
Total	544.8	467.9	76.9	16.4
Operating expenses				
Electric fuel and purchased power	121.5	102.7	18.8	18.4
Gas purchased for resale	43.0	39.5	3.5	8.9
Other operation	81.6	74.6	7.0	9.4
Maintenance	31.1	30.8	.3	.7
Depreciation	61.7	49.5	12.2	24.5
Property and general taxes	63.7	54.7	10.0	18.6
Current and deferred income taxes	36.1	27.4	8.7	32.1
Total	438.7	378.2	60.5	16.0
Operating income	106.1	89.7	16.4	18.2
Allowance for funds used during construction	24.9	29.3	(4.4)	(15.0)
Other income and income deductions—net		(.6)	.6	
Interest charges	62.1	51.0	11.1	21.9
Net income	68.9	67.4	1.5	2.2
Preferred dividends	13.1	11.9	1.2	9.5
Earnings available for common stock	$ 55.8	$ 55.5	$ .3	.7%
Shares of common stock, average for year (000's)	23 233	21 289		
Earnings per share	$2.40	$2.61		
Dividends paid per share	$1.836	$1.836		

1974-1973 REVENUES AND SALES

	REVENUES 1974 (millions of dollars)	REVENUES Per Cent of Total	REVENUES Per Cent Increase over 1973	SALES 1974 (billions of kwh)	SALES Per Cent of Total	SALES Per Cent Increase over 1973
ELECTRIC						
Residential	$174.5	38.2%	16.7%	5.8	31.1%	.9%
Small commercial and industrial	87.9	19.3	18.4	2.6	13.8	.2
Large commercial and industrial	151.7	33.2		7.9	42.1	
Street lighting and other	14.0	3.1	3.0	.6	3.1	(4.6)
Total retail	428.1	93.8	17.4	16.9	90.1	.2
Sales for resale	24.7	5.4	22.1	1.8	9.9	(13.7)
Miscellaneous	3.5	.8	3.0			
Total	$456.3	100.0%	17.5%	18.7	100.0%	(1.3)%
GAS				(millions of mcf)		
Residential with space heating	$ 42.6	51.0%	10.2%	30.5	41.1%	5.4%
Residential without space heating	2.3	2.8	.8	1.0	1.4	(1.3)
Commercial and industrial	38.4	45.9	13.0	42.6	57.4	(.8)
Miscellaneous	.3	.3	37.7	.1	.1	21.5
Total	$ 83.6	100.0%	11.3%	74.2	100.0%	1.7%

1974 ANNUAL REPORT

NORTHERN STATES POWER COMPANY

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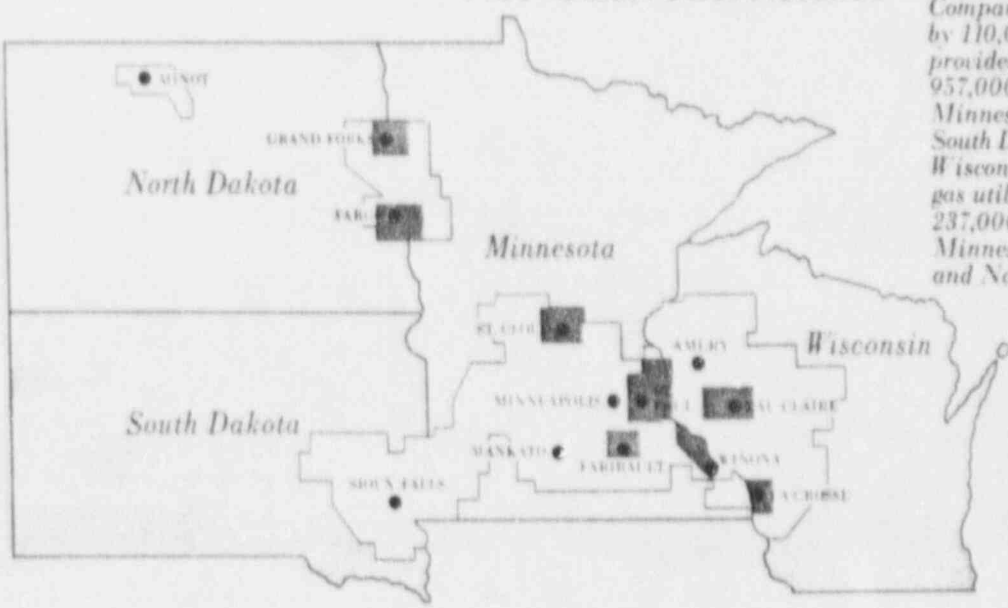
NSP SERVICE AREAS

Northern States Power Company, which is owned by 110,000 shareholders, provides electric service to 957,000 customers in Minnesota, North Dakota, South Dakota and Wisconsin. The Company's gas utility serves 237,000 customers in Minnesota, Wisconsin and North Dakota.



ELECTRIC SERVICE AREAS

ELECTRIC AND GAS SERVICE AREAS

ROBERT H. ENGELS
Chairman of the Board

To our shareholders

March 10, 1975

OUR EARNINGS PER SHARE were $2.40 in 1974, down 21 cents from 1973. Although our earnings declined, they were still adequate to pay common stock dividends of $1.836 per share, the same as in 1973. In October, 1974, we paid our 104th consecutive dividend without a decrease, and we see nothing at present that would alter our pattern of regular dividend payments.

For the first time in history, our total revenues surpassed the half-billion dollar mark. Revenues increased $77 million to $545 million, mainly because of rate increases which totaled $48 million. Retail kilowatt-hour sales remained at about the same level as in 1973, while gas sales to heating customers increased 5.7 per cent.

Despite our success in holding down day-to-day operating costs, increases in certain uncontrollable expense items offset the revenue gain and led to the decline in earnings per share. Property taxes and general taxes were up $10 million. Interest charges increased more than $11 million. Depreciation expense rose about $12 million, and production expenses were up more than $18 million mainly because of increases in the unit cost of fuel and purchased power. An increase in the average number of shares of common stock outstanding also contributed to the decline in earnings per share.

As we begin a new year, we are optimistic that we will be able to reverse the downward trend in our earnings.

Rate increases are absolutely vital if we are to accomplish this objective. So, in late 1974 and early 1975, we requested electric rate increases which would raise our revenues about $74 million on an annual basis if approved by the appropriate regulatory agencies.

However, rate increases alone will not be enough. A moderate increase in sales will also be needed. Although we believe our customers will continue to manage their energy consumption efficiently, we expect that the increase in electric sales which began in late 1974 will continue.

We are encouraged by the stable, diversified economy of our service area, which includes a strong agribusiness sector. In addition, we are already beginning to see evidence of customer conversions from gas and oil to electricity which is becoming the most economical and readily available form of energy in our area.

NSP will have ample supplies of electricity in the future because most of it will be generated from the relatively abundant fuels of coal and uranium. We have adequate supplies of both fuels, which will provide about 92 per cent of all the electricity we generate in 1975.

As we move into 1975, our three largest generating plants—the coal-

fired Allen S. King Plant, the Monticello Nuclear Plant, and the Prairie Island Nuclear Plant—are ready to perform at full power. With these plants in operation, we will not have to rely as much on our older, less economical plants, and we can cut down on costly power purchases from other suppliers.

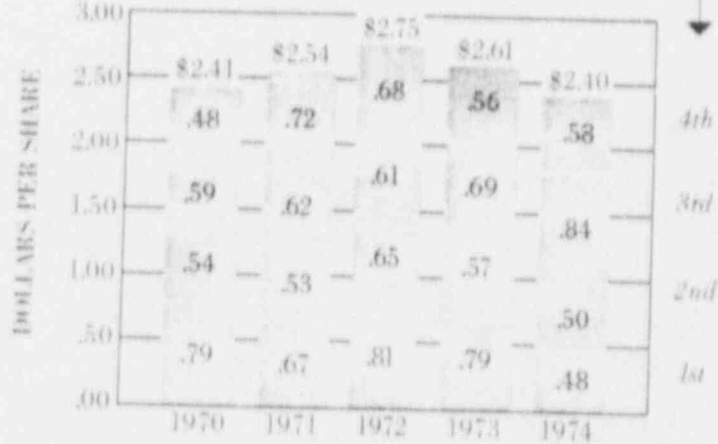
Construction of new generating plants requires a tremendous investment. During the past five years NSP, like many other utilities, was able to generate only about 35 per cent of its construction funds internally. However, over the next five years we expect that about 50 to 70 per cent of our construction requirements will be generated internally which means we will not have to rely as much on costly external financing.

Over the years, our Company has become the leading energy supplier in the region. We have earned this position by providing good service through sound planning and efficient operations. Along the way we have demonstrated that providing good service is compatible with our other important responsibilities such as protecting the environment.

As we have grown, we have learned that the challenges like those we experienced in 1974 will make us a stronger Company in the long run. In the year ahead, our directors and employees are determined to maintain our record of good service and to improve our financial performance.

In conclusion, we regret to report that Pierce H. McDowell, an NSP director for the past 24 years, died on February 14, 1975. He was chairman of McDowell Associates, Inc., of Sioux Falls, South Dakota. His distinguished service on the NSP board included 18 years as chairman of the important finance committee and 18 years as a member of the executive committee. We will deeply miss Mr. McDowell's expertise and his friendship. ■

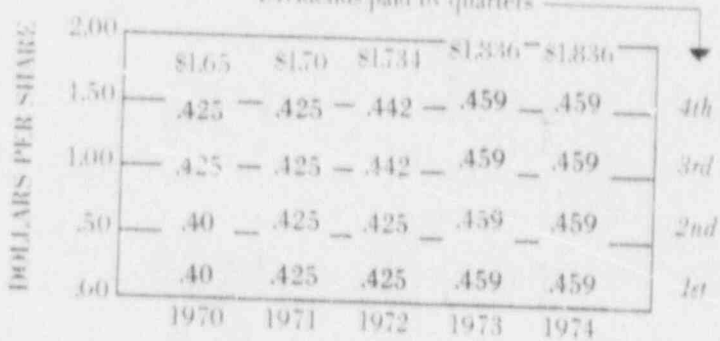
EARNINGS
Per share by quarters



AVERAGE SHARES OF COMMON STOCK OUTSTANDING

1974	23.2 million shares
1973	21.3 million shares
1972	19.8 million shares
1971	19.0 million shares
1970	17.5 million shares

COMMON STOCK
Dividends paid by quarters

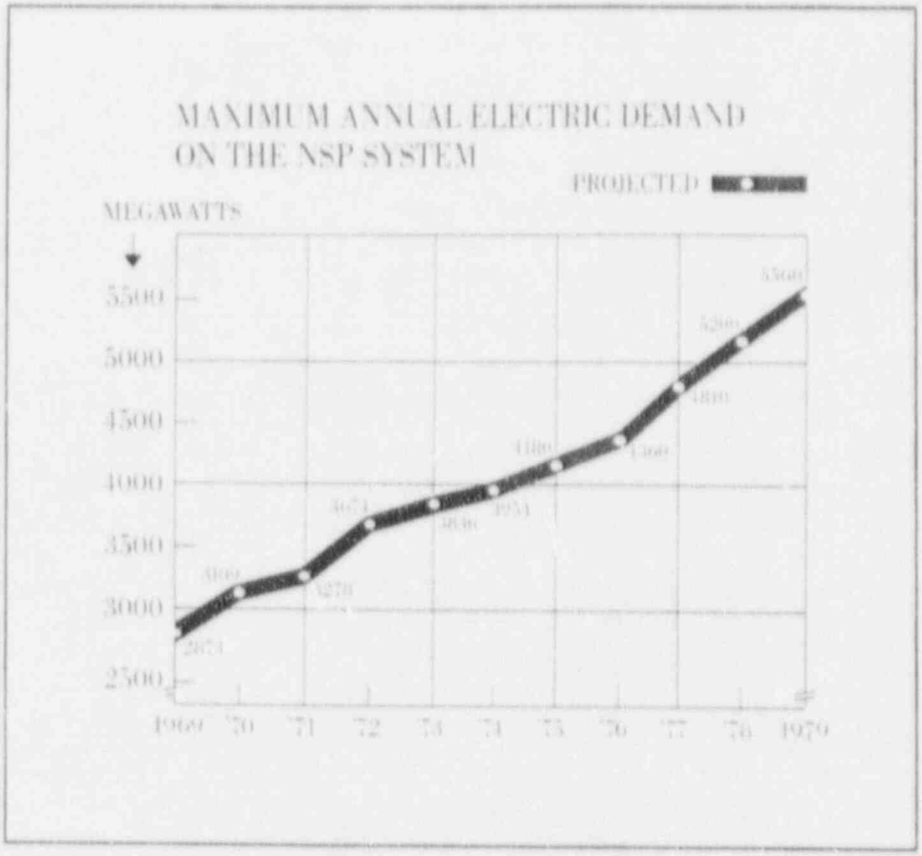


Electric system operations

NSP CUSTOMERS continued to use energy wisely in 1974, and at the same time the business recession began to have an effect on the economy of the Upper Midwest region. As a result, the slowdown in electric sales which began in 1973 continued in 1974. Retail electric sales increased less than 1 per cent in 1974 over 1973. This compares with a 4.5 per cent increase in 1973 over 1972.

However, there was a moderate increase in sales in December, 1974, and early 1975 indicating a possible upswing in the growth rate. Present estimates show an increase of about 4 per cent in 1975. Beyond 1975, electric sales are forecast to increase at least 5 to 6 per cent per year until 1980. The increase would result from a resumption of construction activity associated with population growth, from growth in the output of goods and services (gross national product) to which electric sales are closely related, and from the economic vigor of agriculture and agribusiness in NSP's four-state service area. Sales may well grow at a faster rate during this period if more customers turn to electricity as their basic energy source rather than oil and natural gas which may become relatively scarce.

While retail sales reflected virtually no growth in 1974, customers continued to call for increasing amounts of electricity on the hottest and coldest days of the year. During a heat wave in July, 1974, for example, customer electric requirements rose to almost 4,000 megawatts — the highest such demand in Company history. NSP met this record demand with its major plants and with electricity purchased from other utilities. During the winter of 1974, customer requirements climbed to more than 3,200 megawatts, the highest ever for a winter season. So, despite a slowdown in annual kilowatt-hour sales, customers are still requiring more electricity on certain days of the year which means new generating plants have to be built to serve these brief peaks in demand.



While these peaks in customer demand are not growing as fast as in the past, the chart on this page shows that some moderate growth is forecast. In view of this moderation, the Company has re-assessed its building plans. As a result, several large generating units have been delayed which has deferred expenditures of about $700 million.

The Company is keeping a close watch on factors which would affect energy growth in the future. NSP planners face the challenge of predicting today what the electric demand will be eight to ten years from now since it takes that much time to license, design and construct coal-fired and nuclear electric generating plants. ■

New electric generating plants

NSP HAS ADDED ABOUT 2,500 megawatts of generating capability in the last five years to ensure that its customers have reliable supplies of electricity. These new plants also made it possible to retire several old, uneconomical plants and several that could not meet new environmental standards. By the end of 1975, the Company will have spent about $150 million for environmental protection and improvement at its new and present facilities. About $67 million of that amount will have been spent in 1974 and 1975.

The newest addition to NSP's generating system is the second unit of the Prairie Island Nuclear Generating Plant, in Red Wing, Minnesota, which went into service in December, 1974. The 520-megawatt unit has operated well, and on February 5, 1975, it reached the 100 per cent power level for the first time. Prairie Island's first unit, which went into service in late 1973, operated sporadically during the first six months of 1974 because of mechanical problems with the turbine generator. In October, repairs were completed which have allowed the unit to operate smoothly at the 100 per cent power level.

With the two Prairie Island units and the Monticello Nuclear Plant, which went into service in 1971, nuclear power now accounts for about 33 per cent of NSP's total generating capability.

POWER PLANT CONSTRUCTION SCHEDULE

Plant and Location	Size of Unit (Megawatts)	Type of Fuel	Estimated Cost (Millions)	Date in Service
Sherburne County 1 *Becker, Minnesota*	680	Coal	$360	1976
Sherburne County 2	680	Coal		1977
Sherburne County 3*	800	Coal	$853	1982
Sherburne County 4*	800	Coal		1984
Tyrone Energy Park** *Durand, Wisconsin*	800	Nuclear	$718	1985

**Proposed.* ***Proposed. Contemplates an 1150 MW unit. 350 MW will be reserved for other power suppliers.*

The accompanying table shows the major generating units which are planned based on current estimates of customer demand. The four Sherburne County units would be located at a single site in Becker, Minnesota. Construction on the first unit is 75 per cent complete and the second unit is 30 per cent finished. The plant, which will burn low-sulfur coal, will have an advanced air pollution control system capable of washing 99 per cent of the fly ash and 50 per cent of the sulfur dioxide from the plant's flue gas.

The third and fourth Sherburne units were originally planned for a site near Henderson, Minnesota, but the Company decided to delay using the Henderson site and to seek approval to build the units at the Sherburne site at a saving of $50 million.

Site acquisition, environmental and engineering studies continue for the first unit of the nuclear-fueled Tyrone Energy Park. A second Tyrone generating unit, originally planned for 1983, has been postponed because of reduced electric demand.

The Company has also signed a letter of intent wi the Manitoba Hydro-Electric Board of Winnipeg, Manitoba, which could result in major electrical interconnections between the two systems. The interconnections could provide 600 megawatts of power to Northern States Power Company each summer over a 13-year period. A final contract has yet to be signed. ■

Fuel supply for electric generation

IT BECAME increasingly obvious in 1974 that the nation's electric utilities will have to place heavier reliance on coal and uranium to produce electricity. The shift will occur because of soaring oil prices and action by the federal government requiring utilities to discontinue their use of natural gas to produce electricity. Fortunately, coal and uranium are already the dominant fuels used by NSP for electric generation.

In 1974, 79 per cent of all electricity produced by NSP came from coal and uranium, while oil accounted for only 3 per cent, gas 13 per cent, and hydroelectricity 5 per cent. In 1975, an estimated 92 per cent of the Company's electrical output will be produced by coal and uranium.

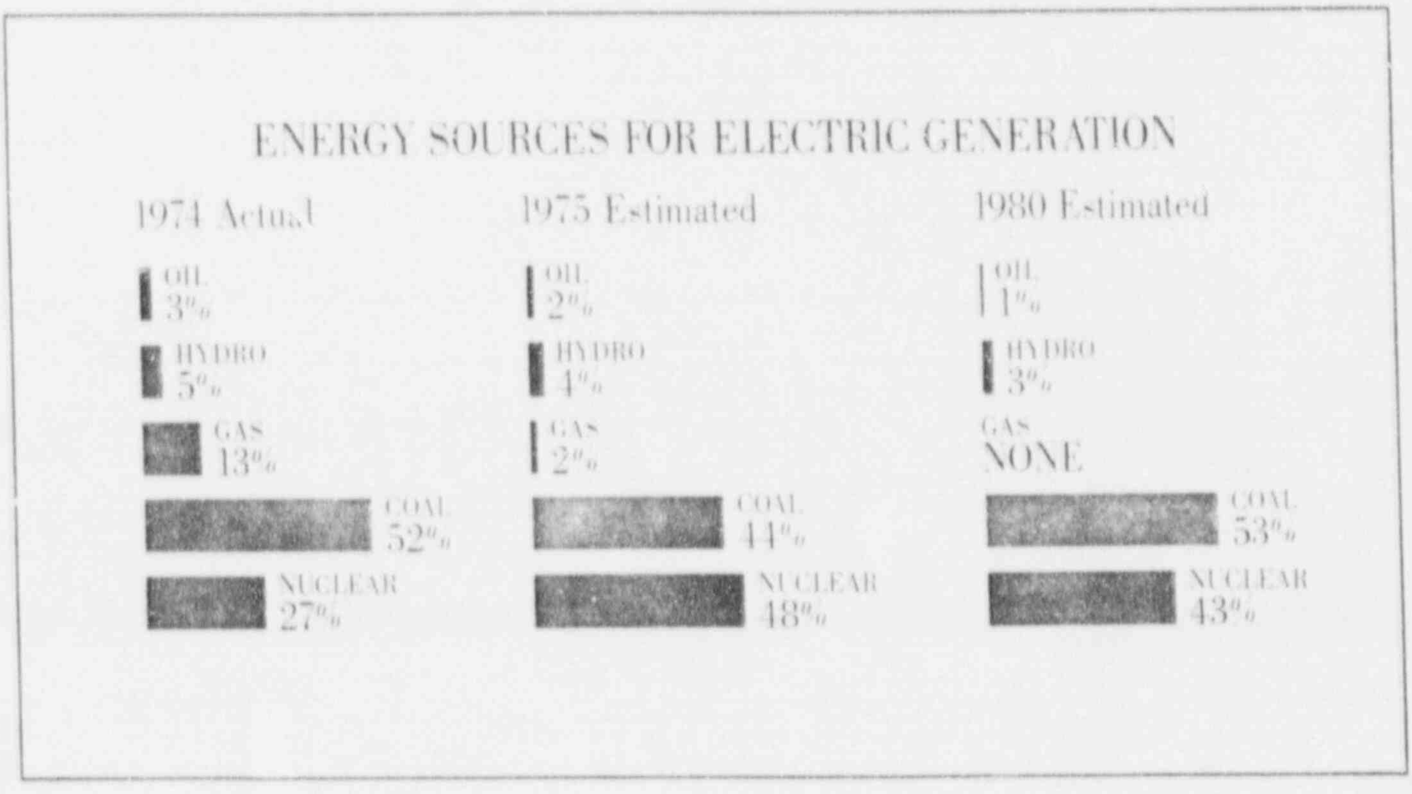
Assuming no restrictive legislation or regulatory action, NSP expects that by the early 1980s about 90 per cent of all the coal it burns will have a sulfur content of less than 1 per cent. To provide a stable, long-term supply of low-sulfur coal, NSP has contracted with two Montana suppliers for a total of 168 million tons. These contracts provide for up to 8.4 million tons per year for the next 20 years which is sufficient to meet 90 per cent of the needs of existing coal-fired plants and all the needs of the first two units at the new Sherburne County Plant. In addition, NSP has a contractual option for 100 million tons of low-sulfur Montana coal which would be available for future plants.

NSP's existing plants in the Minneapolis-St. Paul area are located about 800 miles from the Montana mines, which permits economical shipment of coal in 70-car trains.

NSP will meet the remaining 10 per cent of its coal needs for existing plants between now and the mid-1980s with coal from southern Illinois under existing agreements. This coal is needed to upgrade the lower heating value of western coal.

NSP also has commitments to satisfy its anticipated nuclear fuel needs for at least the next nine years for the Monticello Plant and for the two Prairie Island units.

The Cormorant Corporation, a wholly-owned subsidiary of the Company, incorporated in Montana, is engaged in exploration activities with other entities to secure fuel resources. ■



Gas utility operations

REVENUES from NSP's gas utility operations were almost $84 million in 1974, up about 11 per cent over 1973. Sales to gas heating customers increased 5.7 per cent in 1974 over 1973.

The Company had adequate supplies of gas to serve its residential, small commercial and small industrial gas customers in 1974. NSP expects to be able to supply these present customers and to continue to add new residential and other small-volume users in the foreseeable future.

This is possible because facilities have been and are being built to store excess natural gas in the summer for use in winter when heating demands are greatest. As part of this effort, a $16 million liquefied natural gas storage facility is being built near St. Paul for operation in late 1975. It will have a storage capacity equal to 2 billion cubic feet of natural gas.

Under contracts with its two pipeline suppliers—Northern Natural Gas Company and Midwestern Gas Transmission Company—NSP can draw up to 317 million cubic feet of gas per day during the winter heating season. Another 160 million cubic feet per day is available from NSP's storage facilities for a total capability of about 477 million cubic feet on a given day. The maximum daily demand for the 1973-74 heating season was 365 million cubic feet.

The Company is unable to accept new customers using large amounts of gas on a continuous basis. NSP's major pipeline natural gas supplier, Northern Natural Gas Company, has also informed the Company that after 1978 there will no longer be natural gas available for large-volume interruptible customers. ■

Research

TWO MAJOR research projects involving coal have been announced. In one project, NSP will join with the U.S. Office of Coal Research and Foster Wheeler Energy Corporation in an effort to produce gas from coal for use in generating electricity. The use of this gas for electric generation offers potential cost benefits, energy savings and environmental improvements. NSP will provide its Lawrence Generating Plant, near Sioux Falls, South Dakota, for the test facilities, which will begin operation in 1979.

A second project is aimed at finding a practical, economical means of recovering small, glass-like beads from coal ash. The beads—called cenospheres—could eventually be used as a partial substitute for resin in the manufacture of plastic or as an insulation or fire-proofing material. A small experimental machine designed to recover the cenospheres and other ash ingredients such as lampblack and iron, will begin operation early this year. NSP coal ash is also being used as a substitute for cement in concrete.

Work continued on a variety of other research projects in 1974, including an effort to determine whether warm water discharges from power plants could be used to heat and cool greenhouses. In addition, at NSP's Monticello Nuclear Plant, the National Water Quality Laboratory, under the direction of the U.S. Environmental Protection Agency, began a research project to study the effects of warm discharge water on fish.

In 1974, the Monticello Plant was equipped with a new system to further reduce radioactive emissions to the atmosphere. The system, which was designed for NSP, is the only one of its kind in the country.

The Company continued its support of a national effort to develop the country's first commercial nuclear fast breeder reactor. NSP's Wisconsin Company supported energy storage research and fusion reactor design research at the University of Wisconsin. ■

Employees

PRODUCTIVITY

Corporate efficiency and employee productivity are always of concern to management. In 1974, an extra effort was made to get the job done as economically as possible without jeopardizing service. Departmental budgets were trimmed throughout the Company at the beginning of 1974 by $8 million. Economizing efforts which continued during the year held expenses $3.2 million below the already tight budget.

In the past ten years, NSP has added about 173,000 new electric customers, but during that time the number of employees has dropped by more than 100. As the chart below shows, electric output has nearly doubled during that period.

LABOR RELATIONS

NSP's good relations with the various labor unions which represent more than half of its employees continued in 1974. The Company negotiates a union agreement annually. The current agreement expires December 31, 1975.

AFFIRMATIVE ACTION

Under its policy of equal employment opportunity and affirmative action, NSP recruits, develops and promotes employees on an equal basis, regardless of race, color, religion, sex, national origin, or age and asserts leadership in the community to promote full employment and utilization of capabilities of all its citizens. This policy is fundamental to the operation of the Company.

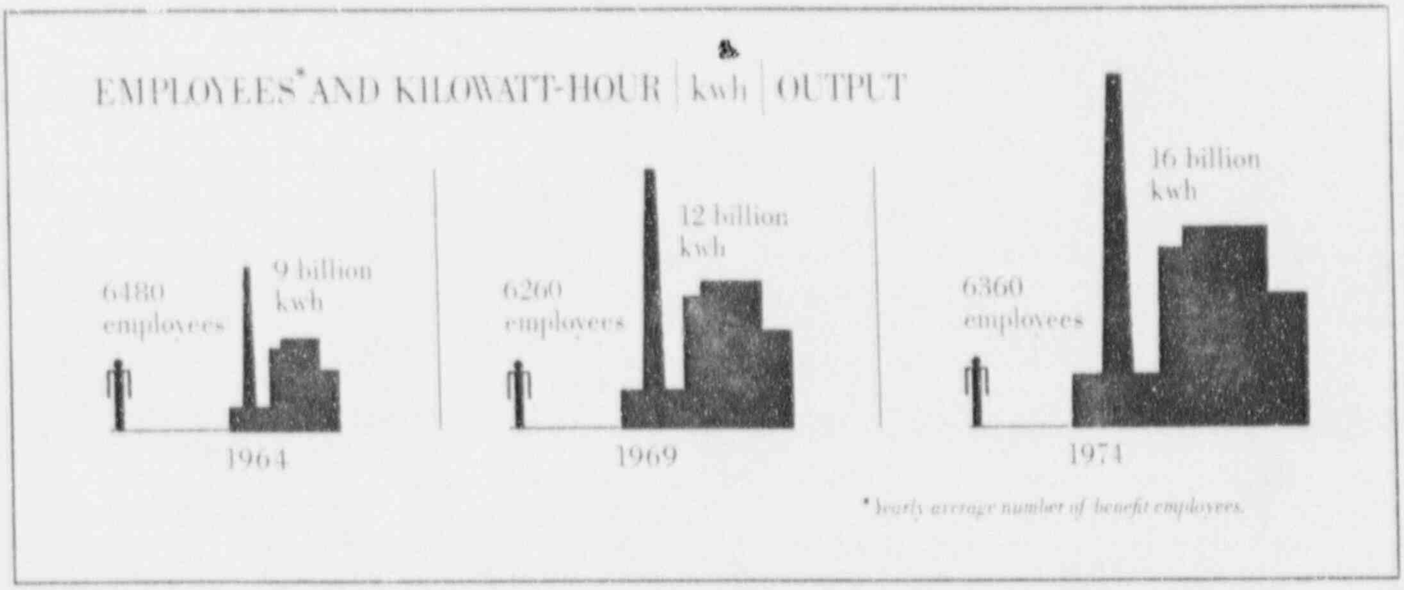
During 1974, the Company continued an intense program of recruiting minorities and preparing them for long-term employment. The affirmative action program was also directed at recruiting women and improving their role at NSP.

MANAGEMENT CHANGES

NSP President David F. McElroy took on the responsibilities of chief executive officer in 1974. In the latter part of 1973, Donald W. McCarthy became an executive vice president with responsibility for all external Company activities. A second executive vice president was named in 1974. He is D. W. (Jack) Angland who has responsibility for the engineering, construction, and operation of all the Company's facilities.

Four new directors were elected to the NSP board in 1974 which means that more than half of the present board members have been elected in the last five years. The new directors are W. John Driscoll, president of the Green Valley Holding Company, a private investment company in St. Paul; Robert E. Haugan, president of The Webb Company, a St. Paul-based printing and publishing firm; Richard H. Magnuson, vice president and general counsel for Land O'Lakes, Inc. of Minneapolis; and Dorothy J. Skwiera, a Minneapolis homemaker and a member of the Minnesota Corrections Authority in St. Paul.

In May, 1975, Earl Ewald, former president, chief executive officer and chairman of the board of the Company, will retire from the board of directors. Under his leadership, NSP moved into the era of interconnected regional power systems and the new technologies of large, more efficient generating units. His efforts also stimulated a greater social consciousness at NSP. The Company extends its deep appreciation to Mr. Ewald for his 45 years of dedicated service.



Financial Report

Earnings

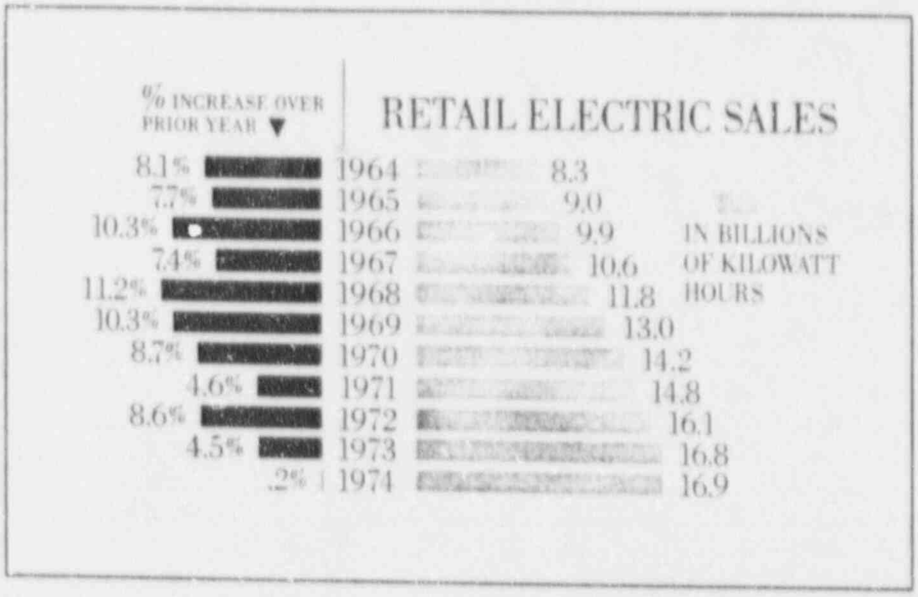
THE COMPANY'S EARNINGS per share for 1974 were $2.40, down 21 cents from the $2.61 earned in 1973. Earnings available for common stock, however, were $55.8 million, up slightly from the $55.5 million earned in 1973.

The decline in earnings per share was due mainly to large increases in expenses, caused by inflation, high interest rates, high production costs, increases in property and general taxes, as well as to a slowdown in the growth rate of retail electric sales. Earnings per share were also reduced by increases in the average number of shares of common stock outstanding as a result of issues in October, 1973, and November, 1974.

Retail electric sales increased 0.2 per cent in 1974. The slowdown was mainly related to the wise use of energy by customers and to the business recession. Sales to natural gas heating customers increased 5.7 per cent. While customers used gas wisely, this was offset by weather which was about 10 per cent colder than in 1973.

Revenues were $545 million in 1974, up almost $77 million over 1973. At the same time, however, increases in the cost of doing business and a decrease in allowance for funds used during construction totaled about $77 million, which virtually offset the revenue gain.

Most of the revenue increase resulted from rate increases, revenue collected to pay for increased fuel costs, and from the growth in electric and gas sales.



Increases in the cost of doing business included a $60.5 million increase in operating expenses over 1973. This increase was due to inflation and other factors, including increases in production costs, and to increases in depreciation expenses, property taxes, and other operation expenses related to the first unit of the Prairie Island Nuclear Generating Plant, which went into service in December, 1973. The large increase in production costs was due to increases in the unit costs of fossil fuel and purchased energy.

Interest charges and preferred stock dividends also increased $12.3 million due to higher interest rates, the sale of new bonds at various times during 1973 and 1974, and the sale of preferred stock in July, 1974. A decrease of $4.4 million in allowance for funds used during construction resulted mainly from the startup of the first Prairie Island unit.

NSP will pay no federal income tax for 1974 primarily because of the operating results discussed above, the use of liberalized depreciation, and investment credits related mainly to the second unit of the Prairie Island Plant. See Note 8 to Financial Statements on page 17 for a comparison of 1974 and 1973 income taxes. ■

Electric and gas rate increases

BECAUSE OF THE DECLINE in earnings per share during the past two years and because of cost increases expected in 1975, the Company found it necessary to implement rate increase programs in 1974 and 1975.

Rate increases raised electric and gas revenues in 1974 about $48 million. The estimated annual effect of these increases is approximately $67 million. In late 1974 and early 1975, NSP requested electric rate increases of $74.2 million on an annual basis. Seasonal pricing (higher summer rates) was part of this program. The accompanying tables show the status of the 1974 and 1975 rate increase programs.

In a related matter, the regulatory jurisdiction of the Minnesota Public Service Commission was expanded on January 1, 1975, to include regulation of electric and gas utilities. The Commission is authorized to set utility rates, determine quality of service, designate service territory and regulate accounting and issuance of securities. ■

1974 RATE INCREASE PROGRAM

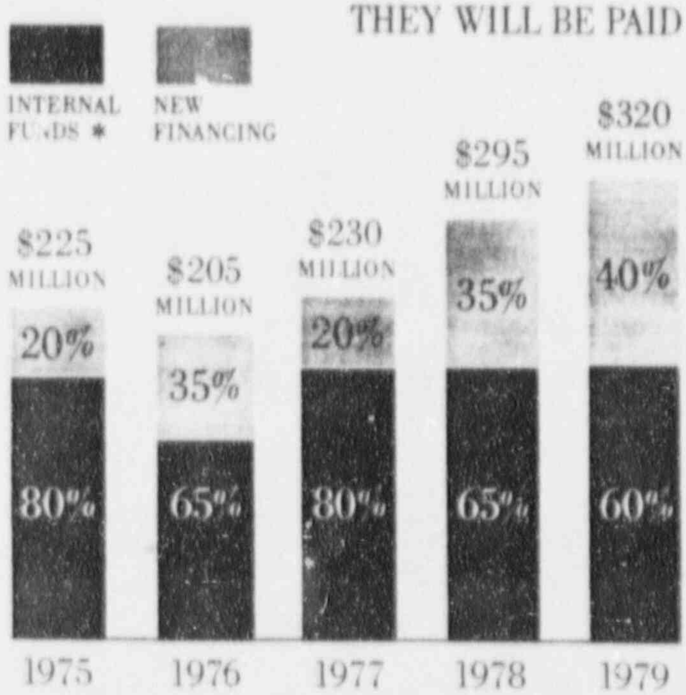
(Estimated increase in millions of dollars)

ELECTRIC	*Effect on Annual Revenues*	*Effect on 1974 Revenues*
Minnesota and South Dakota	$47.6	$38.3
North Dakota	2.5	1.0
Wisconsin—(effective 1/74)	3.7	3.5
Wisconsin—Emergency Interim (effective 9/74)	7.6	2.0
Wholesale—Minnesota and South Dakota	1.1	1.1
Total Electric	62.5	45.9
GAS		
Minnesota	4.3	2.2
North Dakota	.7	.3
Total Gas	5.0	2.5
Total Electric and Gas	$67.5	$48.4

1975 RATE INCREASE PROGRAM | *Annual increase requested (millions of dollars)*

ELECTRIC		STATUS
Minnesota	$59.1	Effective 2/3/75 on an interim basis. A public hearing will be held by the Minnesota Public Service Commission. If final rates vary from interim rates, any excess is refundable.
North Dakota	3.2	Effective 12/7/74. A public hearing will be held by the North Dakota Public Service Commission.
South Dakota	2.4	Action for rate increases is in progress.
Wisconsin	6.4	A $5.4 million increase was granted by the Wisconsin Public Service Commission to be effective 1/17/75. An emergency interim increase of 9/74 was also made permanent. See table above.
Wholesale—Minnesota, South Dakota and Wisconsin	3.1	Filings were made 12/74 and are subject to Federal Power Commission approval.
Total Electric	$74.2	

CONSTRUCTION COSTS AND HOW THEY WILL BE PAID



*Internal generation of funds would average about 70 per cent annually between 1975 and 1979. With less revenue or larger expenses than are now projected, the average could drop to about 50 per cent.

Construction and financing

A RECORD $270 million was spent on construction in 1974. The expenditures were allocated as follows:

	In Millions
Electric Utility	$252
Gas Utility	13
Heating, Telephone and Other	5
Total	$270

To help finance these expenditures and to refund $50 million of long-term debt which matured during the year, a total of $167 million in new financing was completed. The financing involved a $75 million bond issue sold in January at a cost of 8.4 per cent, a $25 million preferred stock issue sold in July at a record-high cost of 10.36 per cent, a $38 million common stock sale in November, and about $29 million in proceeds from sales of pollution control bonds by several municipalities to finance pollution control facilities at NSP generating plants.

Construction expenditures in 1975 are estimated at $225 million. In addition, a $75 million 2¾ per cent first mortgage bond issue matures on October 1, 1975. An estimated $150 million in financing will be needed to help meet these requirements. Tentative plans call for sales of first mortgage bonds and pollution control bonds totaling $105 million and a common stock issue of about 2.5 million shares.

The chart above shows that NSP's construction expenditures for the 1975-1979 period are estimated at $1.3 billion. To help finance these construction expenditures and to refinance about $120 million in first mortgage bonds which mature over the next five years, an estimated $510 million in securities will be sold. ▪

STATEMENT OF INCOME

	Year Ended December 31	
	1974	1973
	(Thousands of dollars)	
OPERATING REVENUES		
Electric	$456 278	$388 409
Gas	83 583	75 106
Telephone and heating	4 976	4 446
Total operating revenues	544 837	467 961
OPERATING EXPENSES		
Fuel for electric generation	79 001	65 982
Purchased and interchange power	42 511	36 684
Gas purchased for resale	43 046	39 519
Other operation	81 625	74 619
Maintenance	31 053	30 845
Depreciation (Note 1)	61 680	49 542
Property and general taxes	63 690	53 679
Income taxes (Notes 1 and 8)	36 133	27 358
Total operating expenses	438 739	378 228
OPERATING INCOME	106 098	89 733
OTHER INCOME		
Allowance for funds used during construction	24 923	29 320
Miscellaneous	2 339	1 191
Total other income	27 262	30 511
TOTAL INCOME	133 360	120 244
INCOME DEDUCTIONS AND NON-OPERATING TAXES	2 316	1 851
INCOME BEFORE INTEREST CHARGES	131 044	118 393
INTEREST CHARGES		
Interest on long-term debt	53 538	47 008
Other interest and amortization	8 597	3 975
Total interest charges	62 135	50 983
NET INCOME	68 909	67 410
PREFERRED STOCK DIVIDENDS	13 082	11 946
EARNINGS AVAILABLE FOR COMMON STOCK	$ 55 827	$ 55 464
AVERAGE SHARES OF COMMON STOCK OUTSTANDING (000's)	23 233	21 289
EARNINGS PER SHARE ON AVERAGE SHARES	$ 2.40	$ 2.61

• *See Notes to Financial Statements on pages 16 and 17.*

STATEMENT OF RETAINED EARNINGS

	Year Ended December 31 1974	1973
	(Thousands of dollars)	
BALANCE AT BEGINNING OF YEAR	$180 914	$165 361
Net income for the year	68 909	67 410
Capital stock expense	(2 565)	(570)
Other		31
Net additions	66 344	66 871
Dividends declared		
Cumulative preferred stock	13 082	11 946
Common stock ($1.836 per share)	43 311	39 372
Total dividends declared	56 393	51 318
BALANCE AT END OF YEAR (Note 5)	$190 865	$180 914

STATEMENT OF CHANGES IN FINANCIAL POSITION

	Year Ended December 31 1974	1973
	(Thousands of dollars)	
SOURCE OF FUNDS		
Funds from operations		
Net income	$ 68 909	$ 67 410
Depreciation and amortization	69 925	53 516
Deferred income taxes	30 548	22 764
Investment tax credit adjustments—net	6 654	9 526
Allowance for funds used during construction	(24 923)	(29 320)
Total	151 113	123 896
Proceeds from sale of notes and securities		
Notes payable	26 695	
Long-term debt	109 395	118 144
Preferred stock	25 000	
Common stock	38 157	51 265
Total	199 247	169 409
TOTAL SOURCE OF FUNDS	$350 360	$293 305
APPLICATION OF FUNDS		
Utility plant additions*	$247 603	$216 564
Retirement of long-term debt	1 688	826
Transfer of long-term debt to current liabilities	75 000	50 000
Repayment of notes payable		10 986
Preferred and common dividends	56 393	51 318
Decrease in working capital (excluding notes payable)	(28 449)	(38 197)
Other—net	(1 875)	1 808
TOTAL APPLICATION OF FUNDS	$350 360	$293 305
INCREASE (DECREASE) IN WORKING CAPITAL		
Cash and temporary cash investments	$ 1 030	$ 539
Pollution control financing—funds held by trustee	5 844	1 631
Accounts receivable—net	8 684	(3 469)
Federal income tax refund receivable	(3 300)	8 000
Long-term debt due within one year	(25 000)	(50 000)
Accounts payable	(10 568)	(5 250)
Income and other taxes accrued	(7 959)	7 223
Other current assets and liabilities—net	2 820	3 129
TOTAL	$(28 449)	$(38 197)

*Excludes allowance for funds used during construction.

• *See Notes to Financial Statements on pages 16 and 17.*

BALANCE SHEET | *December 31*

ASSETS

	1974	1973
	(Thousands of dollars)	
UTILITY PLANT (Note 1)		
Electric (including construction work in progress, 1974—$262,505,000 and 1973—$284,507,000)	$2 081 317	$1 861 771
Gas	150 810	139 680
Other	56 125	55 556
Total	2 288 252	2 057 007
Accumulated provision for depreciation	(435 486)	(395 157)
Nuclear fuel	52 806	44 144
Accumulated provision for amortization	(4 407)	(97)
Net utility plant	1 901 165	1 705 897
OTHER PROPERTY AND INVESTMENTS at cost or less (less accumulated provision for depreciation, 1974—$758,000 and 1973—$1,536,000)	7 378	8 694
CURRENT ASSETS		
Cash (Note 3)	5 850	5 319
Temporary cash investments	499	
Pollution control financing—funds held by trustee	7 475	1 631
Accounts receivable—net	46 479	37 795
Federal income tax refund receivable (Note 8)	4 700	8 000
Materials and supplies (at average cost)	44 570	36 131
Prepayments and other	1 789	2 867
Total current assets	111 362	91 743
DEFERRED DEBITS	12 554	11 889
TOTAL	$2 032 459	$1 818 223

LIABILITIES

	1974	1973
CAPITALIZATION (Page 15)		
Common stock equity	$ 552 966	$ 502 765
Preferred stock	230 784	205 509
Long-term debt	824 640	790 833
Total capitalization	1 608 390	1 499 107
CURRENT LIABILITIES		
Notes payable (Note 3)	79 044	52 349
Long-term debt due within one year (Note 4)	75 000	50 000
Accounts payable	43 006	32 438
Federal income taxes accrued	7 549	5 667
Other taxes accrued	53 911	47 834
Interest accrued	16 023	12 818
Dividends declared on preferred and common stocks	15 255	13 547
Other	1 273	1 645
Total current liabilities	291 061	216 298
DEFERRED CREDITS	2 589	953
ACCUMULATED DEFERRED INCOME TAXES (Note 1)	108 398	77 850
ACCUMULATED DEFERRED INVESTMENT TAX CREDITS (Note 1)	22 021	15 367
CONTRIBUTIONS IN AID OF CONSTRUCTION (Note 1)		8 648
TOTAL	$2 032 459	$1 818 223

• *See Schedule on page 15 and Notes to Financial Statements on pages 16 and 17.*

SCHEDULE OF CAPITALIZATION | *December 31*

SHAREHOLDERS' EQUITY

	1974	1973
	(Thousands of dollars)	
Common stock		
Authorized 30 million shares of $5 par value each. Outstanding 1974—25,316,960 shares; 1973—23,016,960 shares (including 9,927 shares subscribed)	$126 585	$115 085
Premium on common stock (Note 2)	235 516	206 766
Retained earnings (Note 5)	190 865	180 914
Total common stock equity	$552 966	$502 765

Cumulative preferred stock

Authorized 3.5 million shares of $100 par value each

$3.60 series, 275 000 shares	$ 27 500	$ 7.00 series, 200 000 shares	20 000		
4.08 series, 150 000 shares	15 000	8.80 series, 250 000 shares	25 000		
4.10 series, 175 000 shares	17 500	7.84 series, 350 000 shares	35 000		
4.11 series, 200 000 shares	20 000	Total	205 000		$205 000
4.16 series, 100 000 shares	10 000	10.36 series, 250 000 shares	25 000		
4.56 series, 150 000 shares	15 000	Total	$230 000	$230 000	
6.80 series, 200 000 shares	20 000				
Premium on preferred stock (Note 2)				784	509
Total preferred stock				$230 784	$205 509

LONG-TERM DEBT

First Mortgage Bonds Minnesota Company

Series due 1975, 2¾%	$ 75 000	Series due 1997, 6½%	30 000		
Series due 1978, 3%	10 000	Series due 1998, 6¾%	45 000		
Series due 1979, 2⅞%	15 000	Series due 1999, 8%	45 000		
Series due 1982, 3¼%	21 500	Series due 2001, 8%	50 000		
Series due 1984, 3⅛%	20 000	Series due 2001, 8¼%	50 000		
Series due 1986, 4¼%	15 000	Series due 2002, 7⅜%	50 000		
Series due 1988, 4%	30 000	Series due 2003, 7½%	50 000		
Series due 1990, 5%	35 000	Total	666 500		$666 500
Series due 1991, 4⅝%	20 000	Series due 2004, 8⅝%	75 000		
Series due 1992, 4⅜%	15 000	Series due 2004, 7.96%	35 000*		
Series due 1993, 4¾%	15 000	Less due within one year	(75 000)		
Series due 1995, 6¼%	30 000	Total	$701 500	$701 500	
Series due 1996, 5¾%	45 000				

First Mortgage Bonds Wisconsin Company

(less current sinking fund requirement of $940,000 and $640,000 and additional reacquired bonds of $300,000 and $476,000 at December 31, 1974 and 1973, respectively)

	1974	1973		
Series due 1977, 2⅝%	$ 13 657	$ 13 753		
Series due 1979, 3%	7 302	7 338		
Series due 1987, 4¾%	8 214	8 285		
Series due 1994, 4½%	13 466	13 568		
Series due 1999, 9¼%	9 491	9 600		
Series due 2003, 7¾%	29 650	30 000		
Total	$ 81 780	$ 82 544	81 780	82 544
Guaranty agreements Minnesota Company*				
Series due 2003, 5.39%	$ 7 600			
Series due 2003, 5.65%	28 750			
Total	$ 36 350		36 350	36 350
Miscellaneous long-term debt			3 256	3 885
Unamortized discount and premium on long-term debt			1 754	1 554
Total long-term debt			$824 640	$790 833

All utility property, except for minor exclusions, is subject to the lien of the indentures of the Company and the Wisconsin Company relating to their first mortgage bonds.

*Pollution control financing at average interest rates and due in installments at various dates beginning in 1987.

• *See Notes to Financial Statements on pages 16 and 17.*

Notes TO FINANCIAL STATEMENTS

1. SUMMARY OF ACCOUNTING POLICIES

System of Accounts—The accounting records of the Company and the Wisconsin Company are maintained in accordance with the uniform system of accounts prescribed by the Federal Power Commission and adopted by the Public Service Commissions of Wisconsin and North Dakota, which systems are the same in all material respects.

Principles of Consolidation—All significant subsidiary companies have been included in the accompanying consolidated financial statements.

Utility Plant and Retirements—Utility plant is stated at original cost. The cost of additions to utility plant includes contracted work, direct labor and materials, allocable overheads, and allowance for funds used during construction. For the Company, the rate for allowance for funds used during construction was 7½ per cent effective November 1, 1969 and 8 per cent effective July 1, 1973. For the Wisconsin Company, the rate was 7 per cent.

The cost (actual or estimated) of units of property retired, sold, or otherwise disposed of, plus removal costs less salvage, is charged to the accumulated provision for depreciation and amortization. Maintenance and repair costs and replacement and renewal of items determined to be less than units of property are charged to operating expenses.

Certain pollution control facilities are leased or purchased from various municipalities which have issued pollution control revenue bonds to finance these facilities. The cost of the facilities and the related debt have been recorded in utility plant and long-term debt, respectively.

Depreciation, Amortization, and Income Taxes—For financial reporting purposes, depreciation is computed on the straight-line method based on estimated useful lives of the various classes of property. Such provisions as a percentage of the average balance of depreciable property in service were 3.51 per cent in 1974 and 3.43 per cent in 1973. The cost of nuclear fuel, adjusted for estimated net salvage, is amortized to fuel expense based on the BTU's of energy expended. Nuclear fuel amortization was $4,301,000 and $21,000 in 1974 and 1973, respectively.

For income tax purposes, the Company uses liberalized depreciation methods and the class life system (including ADR). Deferred accounting for the reductions was used and therefore net income was not affected.

Investment Tax Credit—The Company uses the five-year average flow-through method and the Wisconsin Company uses the direct flow-through method of accounting for the investment tax credits under the Revenue Act of 1962. For the investment tax credits under the Revenue Act of 1971 the Company and the Wisconsin Company flow through the credits to income ratably over the estimated life of the property.

Revenues—Customers' meters are read and bills rendered on a cycle basis. Revenues are recorded for the accounting period during which the meters are read.

Contributions in Aid of Construction (CIAC)—Effective January 1, 1974, the Company reclassified its CIAC to utility plant and to accumulated provision for depreciation in accordance with a revision of the Federal Power Commission Uniform System of Accounts. Future CIAC will be credited to utility plant when received.

2. PREMIUM ON COMMON AND PREFERRED STOCK

During 1974 premium on common stock increased $28,750,000 in connection with the sale of 2,300,000 shares of common stock and increased $40,803,000 in 1973 in connection with the sale of 2,092,451 shares of common stock. Premium on preferred stock increased $275,000 in 1974 in connection with the sale of 250,000 shares of preferred stock.

3. SHORT-TERM BORROWINGS AND COMPENSATING BALANCES

The Company and subsidiaries had bank lines of credit aggregating $66,375,000 and $58,900,000 at December 31, 1974 and 1973, respectively. The Company has compensating balance arrangements in support of such lines of credit and substantially all cash shown on the balance sheet is considered compensating balances. These credit lines make short-term financing available by providing bank loans and back-up support for commercial paper. Bank loans are made at the prime rate of the lending bank at the time of the loan.

The average effective interest rates on the aggregate short-term borrowings (bank loans $18,734,000 and $17,595,000, and commercial paper $60,024,000 and $34,331,000) were about 10.2 and 9.8 per cent at December 31, 1974 and 1973, respectively. During 1974 and 1973 the highest aggregate short-term borrowings were $112,600,000 and $84,600,000, respectively. Average aggregate short-term borrowings, outstanding during 1974 and 1973, were $62,700,000 and $42,900,000, respectively, with a weighted average effective interest cost (computed on a daily basis) of about 11.1 and 8.2 per cent, respectively. The compensating balance arrangements would increase the above effective interest costs by about 1 percentage point.

4. LONG-TERM DEBT REFINANCING

The Company presently plans to refinance the first mortgage bonds, series due October 1, 1975, 2¾% of $75,000,000 with other securities.

5. RESTRICTIONS ON RETAINED EARNINGS

The Company's Articles of Incorporation provide for certain restrictions on the payment of cash dividends on common stock. Retained earnings at December 31, 1974 and 1973, were not restricted as to payment of cash dividends on common stock.

6. COMMITMENTS

At December 31, 1974, the Company and subsidiaries had major commitments aggregating approximately $421,000,000 under contracts in connection with construction programs.

The Company has contracts for the purchase of coal, natural gas, and oil, and also has a contract for delivery of BTU's of energy for the operation of its Monticello nuclear power plant. The nuclear fuel lease payments are charged to fuel expense based on the BTU's of energy expended.

Rentals (including nuclear fuel burn-up expenses of $5,293,000 and $5,560,000 charged to fuel expense) were approximately $8,300,000 and $8,400,000 for 1974 and 1973, respectively.

Minimum lease commitments as of December 31, 1974 under all noncancelable leases (principally lease of nuclear fuel) are approximately as follows: 1975, $9,900,000; 1976, $10,500,000; 1977, $9,000,000; 1978, $9,400,000; 1979, $9,700,000; 1980-1984, $46,600,000; and after 1984, $2,500,000. The minimum lease commitments for nuclear fuel are based on the estimated usage and the escalation of the contract price using the latest wholesale commodities price index.

The present value of minimum lease commitments at December 31, 1974, with respect to noncapitalized financing leases (as defined by the Securities and Exchange Commission), is less than five per cent of the Total Capitalization of the Company. The impact on net income if noncapitalized financing leases were capitalized, related assets amortized on a straight-line basis and interest cost accrued on the basis of the outstanding lease liability, is less than three per cent of the average net income for the most recent three years.

7. PENSION PLANS

The non-contributory funded pension plans cover substantially all employees. Pension costs are determined under the aggregate cost method using market value of assets of the trust fund. Contributions, equal to the pension costs accrued, made to the trust fund were $7,817,000 for 1974 and $7,213,000 for 1973. The actuarially computed value of vested benefits at December 31, 1974, exceeded the total of the pension fund by approximately $24,300,000.

8. INCOME TAX EXPENSE

The total income tax expense was less than the amount computed by applying the Federal income tax statutory rate of 48 per cent to net income before income tax expense. The reasons for the difference are as follows:

	1974	1973
	(Thousands of dollars)	
Tax computed at statutory rate	$51 799	$46 514
Increases (decreases) in tax from:		
State income taxes, net of Federal income tax benefit	3 978	2 794
Allowance for funds used during construction	(11 963)	(14 074)
Overhead costs capitalized—deducted currently	(4 407)	(4 878)
Investment tax credit on plant additions	(7 931)	(10 724)
Investment tax credit adjustments—net	6 654	9 526
Other—net	876	337
Total income tax expense	$39 006	$29 495

Income tax expense is comprised of the following:	Federal		State		Total	
	1974	1973	1974	1973	1974	1973
Charged to operations:						
Current tax expense	$ (2 069)*	$ (5 158)*	$ 1 000	$ 226	$ (1 069)	$ (4 932)
Deferred tax expense	24 482	18 058	6 066	4 706	30 548	22 764
Investment tax credit adjustments—net	6 654	9 526			6 654	9 526
Total	29 067	22 426	7 066	4 932	36 133	27 358
Deferred tax expense included in depreciation expense	1 738	1 192	389	308	2 127	1 500
Charged to income deductions	551	503	195	134	746	637
Total income tax expense	$31 356	$24 121	$ 7 650	$ 5 374	$39 006	$29 495

Deferred income tax expense is comprised of the following:	1974	1973
Excess of tax over book depreciation—net	$31 777	$23 179
Removal expense	898	1 085
Total	$32 675	$24 264

*The 1974 current Federal income tax expense as shown above is after giving effect to $7,931,000 of investment tax credits, including $4,700,000 carried back to prior years. An additional $1,700,000 of 1974 investment tax credit will be carried forward to subsequent years and has not been recorded. The current tax expense for 1973 is after giving effect to $10,724,000 of investment tax credits, including $8,000,000 carried back to prior years.

ACCOUNTANTS' OPINION

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS
1950 IDS TOWER
MINNEAPOLIS 55402

To the shareholders of Northern States Power Company:

We have examined the balance sheet of Northern States Power Company (Minnesota) and its consolidated subsidiaries as of December 31, 1974 and 1973, and the related statements of income, retained earnings, and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the above-mentioned financial statements present fairly the financial position of the companies at December 31, 1974 and 1973, and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Haskins & Sells

February 14, 1975

Fiscal Agents

NORTHERN STATES POWER COMPANY | MINNESOTA

REGISTRARS

COMMON STOCK
Northwestern National Bank of Minneapolis
Morgan Guaranty Trust Company of New York
Continental Illinois National Bank and Trust Company of Chicago

PREFERRED STOCK
The Chase Manhattan Bank, N.A., New York
First National Bank of Minneapolis
The First National Bank of Chicago

TRANSFER AGENTS

COMMON AND PREFERRED STOCKS
Morgan Guaranty Trust Co. of New York, 30 West Broadway, New York, N.Y. 10015
Harris Trust and Savings Bank, 111 West Monroe Street, Chicago, Ill. 60690
Northern States Power Company, 414 Nicollet Mall, Minneapolis, Minn. 55401

Common stock listed for trading on the New York Stock Exchange and the Midwest Stock Exchange. The ticker symbol is NSP.
Preferred stock listed for trading on the New York Stock Exchange.

TRUSTEE • BONDS
Harris Trust and Savings Bank, Chicago

COUPON PAYING AGENTS • BONDS
Harris Trust and Savings Bank, Chicago
Irving Trust Company, New York

NORTHERN STATES POWER COMPANY | WISCONSIN

TRUSTEE AND COUPON PAYING AGENT • BONDS
First Wisconsin Trust Co., Milwaukee, Wis.

10 YEARS OF PROGRESS | *Statement of Income*

	1974	1973	1972	1971	1970	1969	1964
Operating Revenues (thousands)							
Electric	$456 278	$388 409	$361 366	$317 871	$291 569	$267 352	$184 364
Gas	83 583	75 106	73 241	64 509	56 960	52 516	37 208
Telephone and heating	4 976	4 446	4 460	4 209	3 824	3 691	2 724
Total	544 837	467 961	439 067	386 589	352 353	323 559	224 296
Operating Expenses							
Fuel for electric generation	79 001	65 982	58 249	46 785	44 164	36 972	26 701
Purchased and interchange power	42 511	36 684	23 450	26 374	21 336	12 612	2 353
Gas purchased for resale	43 046	39 519	36 006	33 083	28 674	26 959	21 299
Other operation	81 625	74 619	69 969	65 329	61 249	61 900	47 353
Maintenance	31 053	30 845	26 894	24 193	21 718	19 920	13 300
Depreciation	61 680	49 542	45 809	38 793	34 249	30 847	20 319
Property and general taxes	63 690	53 679	53 208	46 746	45 610	42 798	26 942
Income taxes	(1 068)	(4 932)	23 535	16 622	21 546	24 354	21 484
Deferred income taxes—net	30 548	22 764	13 514	9 035	5 812	5 512	1 157
Investment tax credit adjustments—net	6 653	9 526	1 015	1 564	(642)	(156)	1 967
Total	438 739	378 228	351 649	308 524	283 716	261 718	182 875
Operating Income	106 098	89 733	87 418	78 065	68 637	61 841	41 421
Other Income							
Allowance for funds used during construction	24 923	29 320	22 101	17 619	12 183	7 729	2 036
Miscellaneous	2 339	1 191	518	766	1 190	481	2 212
Total	27 262	30 511	22 619	18 385	13 373	8 210	4 248
Total Income	133 360	120 244	110 037	96 450	82 010	70 051	45 669
Income Deductions, Non-operating Taxes	2 316	1 851	708	755	1 098	232	535
Income Before Interest Charges	131 044	118 393	109 329	95 695	80 912	69 819	45 134
Interest Charges							
Interest on long-term debt	53 538	47 008	41 001	35 482	28 219	22 180	11 462
Other interest and amortization	8 597	3 975	1 975	2 011	2 702	2 316	512
Total	62 135	50 983	42 976	37 493	30 921	24 496	11 974
Net Income	68 909	67 410	66 353	58 302	49 991	45 323	33 160
Preferred Stock Dividends	13 082	11 946	11 946	9 842	7 723	6 943	3 844
Earnings on Common Stock	$ 55 827	$ 55 464	$ 54 407	$ 48 360	$ 42 268	$ 38 380	$ 29 316
Earnings per Share on Average Shares	$2.40	$2.61	$2.75	$2.54	$2.41	$2.24	$1.90

DISCUSSION OF STATEMENT OF INCOME

1974 Compared with 1973—See Page 9

1973 Compared with 1972:

Earnings available for common stock for the year 1973 were $55.5 million compared with $54.4 million for the year 1972. For the year 1973 earnings per share were $2.61 compared with $2.75 for the year 1972.

The earnings performance in 1973 was adversely affected by a large increase in expenses caused by inflation, high interest rates, and high production costs with a coincidental slowdown in the growth rate of electric Kwh sales and a decrease in gas Mcf sales. The consequence was a relatively small increase in earnings of $1.1 million over 1972. The slowdown in electric Kwh sales was related to conservation efforts by customers and other factors unrelated to weather, while the decrease in gas Mcf sales was related mainly to warm weather during the heating season. Fuel costs and purchased and interchange power costs showed unusually large increases because of an increase in the unit cost of fossil fuel and purchased energy; also, two of the Company's most efficient generating plants were out of service for abnormally long periods for refueling and scheduled maintenance, which caused more use of less efficient plants and the purchase of energy at a higher cost. Maintenance expense reflected the cost of repairing the above two plants.

Allowance for funds used during construction increased by $7.2 million mainly because of construction expenditures related to the Prairie Island and Sherburne County Generating Plants.

Interest charges showed substantial increases because of mortgage bond and pollution control financing during 1972 and 1973 and because of higher rates of interest.

Income taxes varied due to a change in pre-tax income, allowance for funds used during construction, overhead costs capitalized, and investment tax credits (see Note 8 to Financial Statements).

10 YEARS OF PROGRESS | *continued*

ELECTRIC	1974	1973	1972	1971	1970	1969	1964
Revenues (thousands)							
Residential	$174 509	$149 525	$145 296	$128 902	$120 606	$112 720	$ 80 085
Small commercial and industrial	87 954	75 834	71 875	63 054	57 386	53 268	36 833
Large commercial and industrial	151 691	126 525	115 764	100 475	89 659	81 773	52 941
Street lighting and other	13 966	12 934	12 022	10 813	10 097	9 348	6 691
Total retail	428 120	364 818	344 957	303 244	277 748	257 109	176 550
Sales for resale	24 655	20 189	13 102	11 473	10 466	7 148	6 218
Miscellaneous	3 503	3 402	3 307	3 154	3 355	3 095	1 596
Total	$456 278	$388 409	$361 366	$317 871	$291 569	$267 352	$184 364
Customer Accounts (at Dec. 31)							
Residential	859 342	843 010	821 607	804 729	790 184	772 890	696 088
Small commercial and industrial	86 980	86 335	85 351	84 303	83 033	82 166	79 500
Large commercial and industrial	4 105	4 133	3 986	3 888	3 921	3 808	3 554
Street lighting and other	6 479	6 212	5 995	5 764	5 567	5 372	4 582
Total retail	956 906	939 690	916 939	898 684	882 705	864 236	783 724
Other	71	71	68	65	61	59	137
Total	956 977	939 761	917 007	898 749	882 766	864 295	783 861
Residential Service							
Annual kwh per customer	6 844	6 939	7 049	6 651	6 559	6 179	4 608
Annual revenue per customer	$205.08	$179.80	$178.77	$161.85	$154.16	$147.63	$116.46
Kilowatt-hour Output (millions)							
Thermal	15 572	15 174	14 953	12 162	12 139	11 348	8 747
Hydro	768	936	944	819	734	783	702
Purchased and interchange	3 640	4 063	2 888	4 245	3 526	2 705	300
Total	19 980	20 173	18 785	17 226	16 399	14 836	9 749
Capability at time of maximum demand (megawatts)							
Company owned	4 272	3 908	3 693	3 436	2 903	2 833	2 053
Purchases and sales—net	280	529	367	378	593	411	(32)
Total	4 552	4 437	4 060	3 814	3 496	3 244	2 021
Maximum Demand (megawatts)	3 954	3 836	3 674	3 278	3 109	2 873	1 828
Date of Maximum Demand	July 8	Aug. 27	Aug. 17	Sept. 3	July 28	Aug. 29	Dec. 17
GAS							
Revenues (thousands)							
Residential							
With space heating	$42 599	$38 645	$40 059	$34 967	$31 183	$28 968	$20 036
Without space heating	2 306	2 287	2 299	2 256	2 115	2 123	2 617
Commercial and industrial	38 386	33 962	30 677	27 077	23 479	21 242	14 505
Miscellaneous	292	212	206	209	183	183	50
Total	$83 583	$75 106	$73 241	$64 509	$56 960	$52 516	$37 208
Customer Accounts (at Dec. 31)							
Residential							
With space heating	176 649	169 698	164 708	159 192	154 291	148 783	112 383
Without space heating	39 662	41 370	42 491	43 574	44 612	46 393	58 769
Commercial and industrial	20 502	19 796	19 222	18 629	18 160	17 558	13 955
Total	236 813	230 864	226 421	221 395	217 063	212 734	185 107
COMMON STOCK							
Shares of Common Stock							
Average for year	23 233 042	21 289 221	19 750 621	19 019 829	17 544 039	17 158 238	15 437 168
At end of year	25 316 960	23 007 033	20 915 461	19 022 281	19 016 076	17 292 983	16 203 602
Dividends							
Declared per share	$1.836	$1.836	$1.768	$1.70	$1.675	$1.60	$1.40
Per cent of earnings	77.6	71.0	64.9	66.9	70.3	72.1	73.7
Market Price—Close (NY Stock Ex.)	$16.00	$25.25	$30.50	$27.25	$26.75	$22.875	$40.375

High and Low Market Prices—New York Stock Exchange (Quarters)

		1st	2nd	3rd	4th
1974	High	$26.375	$24.375	$21.250	$18.750
	Low	24.250	17.875	15.625	15.250
1973	High	$31.375	$30.125	$28.500	$27.500
	Low	27.500	26.875	24.500	22.500

NORTHERN STATES POWER COMPANY | *Minnesota*

Officers

ROBERT H. ENGELS
Chairman of the Board

DAVID F. McELROY
President and Chief Executive Officer

DONALD W. McCARTHY
Executive Vice President

D. W. (JACK) ANGLAND
Executive Vice President

JOHN W. HOFFMANN
Senior Vice President

CLAYTON K. LARSON
Senior Vice President—Finance

LEWIS J. CRAIN
Vice President

ARTHUR V. DIENHART
Vice President—Plant Engineering and Construction

VINCENT C. FORREST
Vice President—Transmission and Distribution

ALLAN E. HASSINGER
Vice President—Communications and Employee Relations

WADE LARKIN
Vice President and Assistant to the President

M. D. (BUD) OLSON
Vice President—Commercial Operations

JAMES F. OWENS, JR.
Vice President

ARTHUR R. RENQUIST
Vice President—Law

BRUCE A. RICHARD
Vice President and Regional Manager

EDWARD C. SPETHMANN
Vice President and Regional Manager

JAMES E. STODDART
Vice President

EDWIN M. THEISEN
Vice President—Gas Utility

LEO J. WACHTER
Vice President—Power Production and System Operation

J. O. (JIM) COX
Treasurer

ARLAND D. BRUSVEN
Secretary and Financial Counsel

GERALD S. PETTERSEN
Controller

Directors

ROBERT H. ENGELS
Chairman of the Board of the Company
Minneapolis, Minnesota

DAVID F. McELROY
President and Chief Executive Officer of the Company
Minneapolis, Minnesota

WILLIAM M. BAKER†
President, Baker Foundation
Minneapolis, Minnesota

W. JOHN DRISCOLL*
President, Green Valley Holding Company, St. Paul, Minnesota

EARL EWALD
Retired Chairman of the Board of the Company
Allenspark, Colorado

ROBERT E. HAUGAN*†
President, The Webb Company
St. Paul, Minnesota

RICHARD H. MAGNUSON**
Vice President and General Counsel
Land O'Lakes, Inc., Minneapolis, Minn.

P. H. McDOWELL†‡
Chairman of the Board
McDowell Associates, Inc.
Sioux Falls, South Dakota

D. C. MINARD†
Retired Chairman of the Board
The Trane Company
LaCrosse, Wisconsin

HENRY T. RUTLEDGE
Chairman and Chief Executive Officer
Northwest Bancorporation
Minneapolis, Minnesota

ALFORD K. SIMPSON†
President, The Merchants National Bank and Trust Company of Fargo
Fargo, North Dakota

DOROTHY J. SKWIERA**†
Member, Minnesota Corrections Authority
St. Paul, Minnesota

DR. O. MEREDITH WILSON
Director, Center for Advanced Study in Behavioral Sciences
Stanford, California

JAMES T. WYMAN†
Chairman of the Executive Committee
Super Valu Stores, Inc., Hopkins, Minn.

A. B. JACKSON***
Former President and Chairman of the Board
The St. Paul Companies, Inc.,
St. Paul, Minnesota

ROBERT S. MACFARLANE***
Chairman Emeritus Retired,
Burlington Northern, Inc., St. Paul, Minn.

**Elected to the Board effective November 1, 1974* ***Elected to the Board effective February 1, 1974*
****Retired from the Board May 8, 1974* *†Member of the Audit Committee of the Board*
‡Died on February 14, 1975

NORTHERN STATES POWER COMPANY | *Wisconsin*

A wholly-owned subsidiary of Northern States Power Company (Minnesota)

Officers

WILBUR N. MARX
Chairman of the Board and Chief Executive Officer

JOHN L. CARROLL
President, General Manager and Principal Finance Officer

F. JERRY KRIPPS
Executive Vice President—Operations

GEORGE A. DES ROSIER
Vice President—Division Operations

RICHARD L. ROEHRICH
Vice President—Personnel

JOHN L. KOPLIN
Treasurer

DONALD P. JOLSTAD
Controller and Assistant Secretary

PETER W. BECK*
Vice President—Consumer Affairs

GERALD J. FRANK**
Secretary

**Retired on October 31, 1974*
***Retired on May 31, 1974*

Directors

WILBUR N. MARX
Chairman of the Board and Chief Executive Officer, Northern States Power Company (Wisconsin)
Eau Claire, Wisconsin

JOHN L. CARROLL
President, General Manager and Principal Finance Officer, Northern States Power Company (Wisconsin)
Eau Claire, Wisconsin

ROBERT H. ENGELS
Chairman of the Board, Northern States Power Company (Minnesota)
Minneapolis, Minnesota

F. JERRY KRIPPS
Executive Vice President—Operations
Northern States Power Company (Wisconsin), Eau Claire, Wisconsin

RICHARD L. ROEHRICH
Vice President—Personnel, Northern States Power Company (Wisconsin)
Eau Claire, Wisconsin

CLAYTON K. LARSON
Senior Vice President—Finance, Northern States Power Company (Minnesota), Minneapolis, Minnesota

H. E. MASON
Retired, Chippewa Falls, Wisconsin

D. B. REINHART
President, Gateway Foods, Inc.
LaCrosse, Wisconsin

W. G. SEGUIN
Farmer, Eleva, Wisconsin

PETER W. BECK*
Vice President—Consumer Affairs
Northern States Power Company (Wisconsin), Eau Claire, Wisconsin

**Retired from the board October 31, 1974*

NORTHERN STATES POWER COMPANY • 414 NICOLLET MALL, MINNEAPOLIS, MINNESOTA • 55401

1974 ANNUAL REPORT

1975 ANNUAL MEETING OF SHAREHOLDERS

The annual meeting of Northern States Power Company shareholders will be held at 10 a.m., Wednesday, May 7, 1975, at the Holiday Inn Minneapolis Downtown, 1313 Nicollet Avenue, Minneapolis, Minnesota.

FOR MORE INFORMATION

For information relating to the contents of this report, please contact A. E. Hassinger, Vice President, Communications and Employee Relations, Northern States Power Company, 414 Nicollet Mall, Minneapolis, Minnesota 55401, or phone (612) 330-6040.

Shareholders who have inquiries about NSP operations or their stock should contact Ms. Micaela (Micki) C. Castellano, Manager, Shareholder Relations, 414 Nicollet Mall, Minneapolis, Minnesota 55401.

A statistical supplement to this report will be available in April, 1975, as will a Form 10-K, which is filed with the Securities and Exchange Commission. To receive copies of this material, write to the Secretary, Northern States Power Company, 414 Nicollet Mall, Minneapolis, Minnesota 55401.

This report was prepared to provide information to the Company's shareholders and to satisfy the requirements of the Securities and Exchange Commission and the New York Stock Exchange. A total of 140,000 copies were printed at an estimated cost of 28¢ per copy.